

# **EXHIBIT E**

## **PART 2**

**NOVI LIST D.D. RIJEKA**

List Međimurje d.d. Čakovec	1000			48-80			1,64-2,02
List Međimurje d.d. Čakovec	1000			16			0,3769
List Međimurje d.d. Čakovec	1000			32			0,5526
List Međimurje d.d. Čakovec	15000						0,27
List Međimurje d.d. Čakovec	20000						0,25
List Međimurje d.d. Čakovec	25000						0,23
Moj grad d.o.o.	7000	289X420	45	24	weekly		1,20
Moj grad d.o.o.	-	289X420	45	32	weekly		1,20
Moj grad d.o.o.	-	289X420	45	40	weekly		1,40
Metropolis d.o.o. Zagreb	40000	290x420	42,5	24	five days a week	0,55	0,34
Metropolis d.o.o. Zagreb	-	290x420	42,5	32	five days a week	0,55	0,41
Europapress holding d.o.o.	30000	290X420	42,5	16	five days a week	-	0,46
Europapress holding d.o.o.	-	290X420	42,5	24	five days a week	-	0,64
Europapress holding d.o.o.	-	290X420	42,5	32	five days a week	-	0,78

With regard to the above production costs and selling prices, we can conclude that the agreed prices for all transactions except for a transaction with Metropolis d.o.o. Zagreb are above the production cost and thus represent profitable jobs. The same contract provides for advertising by a space of 1/8 of the page in color on the first page of the supplement Europe for 12 publications a year – one each month – according to the price list of advertising space in the supplement Europe. The supplement Europe is published with Novi list, Karlovački list, Zadarski list and Glas Slavonije). The discount is 20%. The price calculation with included discounts 12X1/8 page, the first page of the supplement is 53.376 HRK.

The same contract includes a special project of Novi list promotion in the supplements to Auto – moto - Yacht, School Supplement and Business Supplement, a package of 12 pages altogether. Basic discount is 20% and a 10% of gratis space was contracted as well. The price calculation with discount included is a 12 page package = 11 pages with 20% discount + 1 page gratis = 168.537,60 HRK. Total price of that contract should not exceed 500.000 HRK. The contract is applicable from January 1 to December 31, 2006.

### **3.2. ANALYSIS OF PRODUCTION CAPACITIES AND MOST SIGNIFICANT PRODUCTS**

/i/ Production capacities of the Company have been identified by three segments:

- Capacity of the editorial office
- Capacity of the printing plant
- Capacity of the logistics

The number of pages the editorial staff of Novi list can prepare in a day – 64 pages at least has defined the capacity of the editorial office. Current editorial office of Novi list as a daily paper prepares 48 pages, the number that can be printed on the available facilities (Universal 70). The increase in the editorial office capacity depends on the number of reporters (employees) or on the number of external associates that could be increased at relatively small investment and the increase in the variable staff cost respectively.

The capacity of the printing plant is a bottleneck of the Company because the increase in the printing plant output involves very high financial investment whose economic justifiability requires a careful analysis. The printing plant consists of two printing presses:

(1) Offset Printing Press GOSS Community with the working speed of 25.000 copy/hour and a maximum output of 40 tabloid format pages (of which 8 off CMYK

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pages) or 48 tabloid format page (of which 16 off two-color pages). The printing press consists of 4 off plain-color printing units, 1 off color tower unit and a device for automatic replacement of reels.

(2) Offset Printing Press GOSS Universal 70 with a working speed of 30.000 copy/hour and a maximum output of 64 tabloid format pages (of which 32 off CMYK pages) or 48 tabloid format pages (of which all 48 off XMYK pages). The printing press consists of 3 off color tower units and 4 off devices for automatic replacement of reels.

The printing plant is equipped with a Ferag mailroom line for newspapers. Both presses use only the newsprint of 45 gr/m<sup>2</sup>, 42.5 gr/m<sup>2</sup>, and improved newsprint 52 gr/m<sup>2</sup>.

**3.3. ANALYSIS OF CURRENT CALCULATION OF PRODUCT PRICE**

Since the production costs of advertising and printing services have been analyzed under the previous section, the analysis of the current price calculation of products will include the analysis of a single newspaper and other editions (publications) produced by the Company's own resources. Since the development of financial statements for 2006 is in progress, the analysis will take into account only the data available by October 2006.

We point out that the data have been partly harmonized with the year 2005 but they are not acceptable for interpretation. Namely, the data used in the data analysis for the year 2005 were taken from the Company's records before the financial statements were concluded so the data used in the analysis have not been fully harmonized with the financial statements.

The difference between the income stated in the income statement for 2005 and the income identified in the analysis is 15.092.294 HRK. The difference between the expenses stated in the income statement for 2005 and the expenses identified in the analysis is 12.696.033 HRK. Net unappropriated result is 2.396.261 HRK. The difference between the stated income and expenses is due to the discounts that were internally stated in the analysis of the income statement made.

The difference between the income stated in the provisional income statement for 2006 and the income identified in the analysis is 56.402.905 HRK. The difference between the expenses stated in the provisional income statement for 2006 and the expenses identified in the analysis is 54.954.035 HRK. Net unappropriated result is 1.448.870 HRK. The difference between the stated income and the expenses is due to the discounts that were internally stated in the analysis of the income statement made and also due to different periods showed in the income statement analysis and in the income statement presented at the beginning of the Report.

The production cost of own products for the year 2006 and a comparative review for the year 2005 is presented on the following pages:

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### Analysis of profit centers profitability (profit centers – Company's products)

Year 2006

I T E M	Novi list		Bulga		Feniks		Skandi		Super f		Super sk		Metis		Glas listre		DVD		Karlovacki list		Library		La voce		CD Albums		NGU		analytics		
	HRK	Supplem.	HRK	HRK	HRK	HRK	HRK	HRK	HRK	HRK	HRK	HRK	HRK	HRK	HRK	HRK	HRK	HRK	HRK	HRK	HRK	HRK	HRK	HRK	HRK	HRK	HRK	HRK	HRK		
OPERATING INCOME																															
Income from sales of products	52.081.483	0	992.962	3.133.117	3.724.961	827.961	478.618	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	61.238.456		
Discount	-8.487.349	0	-2.19.829	-926.872	-1.091.070	-302.751	-181.289	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	-11.209.160		
Income from advertising	34.153.898	1.848.501	0	4.980	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	36.007.379		
Discount	-136.962	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	-136.962		
Income from advertisements	8.023.815	0	3.296.651	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	11.320.466		
Discount	-86.428	0	-66.867	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	-153.295		
Other operating income	0	0	1.998.264	0	0	0	0	0	0	0	0	0	0	0	0	12.430.927	1.199.128	0	58.403	0	557.717	0	10.194.226	0	0	0	0	0	16.244.439		
Total operating income	85.548.457	1.848.501	6.001.181	2.211.225	2.633.245	525.210	297.329	0	12.430.927	1.199.128	58.403	0	557.717	0	10.185.140	113.311.323															
COSTS OF PRODUCTION																															
Direct variable costs of production	-16.890.675	-1.561.703	-1.337.751	-508.580	-725.379	-129.994	-81.955	0	-5.946.421	-867.450	-405.806	0	-697.820	0	-5.303.808	-29.153.534														-29.153.534	
Direct fixed costs of production	-6.384.808	-1.123.985	-251.351	-367.682	-538.640	-61.664	-60.223	0	-2.046.847	0	-64.724	0	-199.221	0	-2.818.768	-11.099.145														-11.099.145	
Other costs of production	-36.031.769	-3.628	-2.066.987	-1.343.475	-945.465	-69.757	-75.644	0	-109.286	0	0	0	0	0	-296.524	-40.646.011														-40.646.011	
Costs of prize game	-3.490.523	0	0	0	0	0	0	0	0	0	0	0	0	0	0	-3.490.523														-3.490.523	
Total operating expenses	-62.797.775	-2.689.316	-3.656.089	-2.219.737	-2.209.484	-261.415	-217.822	0	-8.102.554	-867.450	-470.530	0	-897.041	0	-8.419.100	-84.389.213															-84.389.213
PROFIT/LOSS FM OPER ACTIVITIES	22.750.682	-840.815	2.345.092	-8.512	423.761	263.795	79.507	0	4.328.373	331.678	-412.127	0	-339.324	0	1.766.040	28.922.110															28.922.110
GENERAL COSTS OF PRODUCTION																															
Marketing and advertising	-4.312.055	-93.049	-303.389	-110.730	-131.929	-25.446	-15.040	0	-625.970	0	-2.960	0	-28.046	0	-513.192	-5.648.613															-5.648.613
Transport	-1.883.612	-40.595	-132.196	-48.519	-57.924	-11.447	-6.775	0	-272.251	0	-1.251	0	-12.309	0	-224.289	-2.466.878															-2.466.878
Procurement	-426.343	-9.095	-29.882	-10.998	-13.199	-2.600	-1.493	0	-61.996	0	-304	0	-2.783	0	-50.773	-558.694															-558.694
Sales	-1.263.888	-27.290	-87.821	-32.506	-38.523	-8.125	-4.104	0	-185.651	0	-825	0	-8.170	0	-150.590	-1.656.902															-1.656.902
Management	-2.711.318	-58.629	-192.284	-71.623	-84.559	-16.139	-9.777	0	-405.789	0	-1.831	0	-17.788	0	-325.983	-3.569.737															-3.569.737
Finance	-1.158.274	-24.765	-81.256	-29.954	-35.787	-6.987	-4.058	0	-171.117	0	-794	0	-7.537	0	-137.960	-1.520.520															-1.520.520
Information and maintenance	-1.573.820	-33.385	-110.641	-40.787	-49.082	-9.432	-5.624	0	-230.636	0	-1.142	0	-10.329	0	-187.519	-2.064.877															-2.064.877
Legal and Personnel	-1.057.661	-22.634	-73.930	-27.202	-32.504	-6.495	-3.659	0	-153.678	0	-741	0	-6.881	0	-125.495	-1.385.385															-1.385.385
Building maintenance	-1.969.961	-41.299	-135.125	-50.055	-60.636	-13.011	-6.700	0	-281.560	0	-1.468	0	-12.676	0	-233.815	-2.572.492															-2.572.492
Total general costs of production	-16.356.932	-350.731	-1.146.524	-422.374	-504.143	-99.682	-57.230	0	-2.388.649	0	-11.316	0	-106.519	0	-1.949.615	-21.444.100															-21.444.100
Other income	2.492.588	53.211	168.199	63.434	74.205	16.155	8.730	0	362.237	0	1.781	0	16.095	0	288.907	3.260.741															3.260.741
Other expenses	-1.294.265	-28.055	-94.326	-34.546	-40.271	-6.860	-3.997	0	-209.722	0	-846	0	-8.447	0	-158.070	-1.722.059															-1.722.059
CURRENT YEAR PROFIT	7.592.073	-1.166.390	1.272.441	-401.998	-46.448	173.408	27.010	0	2.092.239	331.678	-422.508	0	-438.195	0	-52.738	9.016.692															9.016.692



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- **CO NOVI LIST**

Having analyzed the profitability of Novi list daily we found that the performance of Novi list responsibility center i.e. the profit center over the period surveyed was positive with a profit of 7.592.073 HRK, which is 8.87% of the operating income generated. In 2006 survey period, 14.186.840 copies were printed of which 10.699.295 copies was sold i.e. 75.42% (76.21% in 2005). Other copies were the returns (3.318.072 copies), exemption (148.123 copies) and deficit (21.350 copies).

Based on the available data the price of copies was calculated as follows:

- Unit production cost of a printed copy 4.43 HRK (in 2005 – 4.33 HRK)
- Unit production cost of a sold copy 5.87 HRK (in 2005 – 4.68 HRK)
- Unit total production cost of a printed copy 5.58 HRK (in 2005 – 5.56 HRK)
- Unit total production cost of a sold copy 7.40 HRK (in 2005 – 7.30 HRK)

Further analysis showed that the Company could reduce the total unit price of a sold copy if the returns decreases that is if current sales increase by 23%, in other words, if the returns decrease by 2.493.153 copies.

The difference between the total price of a sold copy and the production cost of a sold copy is in the costs included in the production cost, which are the costs that can be attributed to the production of newspapers, and in the total price including also the general operating expenses charged to the Company's operation. They are the costs of marketing and advertising, transport, procurement, sales, management, finance, information and maintenance, legal and personnel department, and building maintenance.

As it can be seen from the available data supporting the selling price of 6 HRK, the Company covers the production cost of sold but also of printed copies, as well as the total price of a printed copy. However, it does not cover the total price of a sold copy, which means that additional efforts should be focused on the following:

- reducing the returns and
- increasing the efficiency of joint services.

The efficiency of joint services should not be based on limiting the level of each elementary costs e.g. lower salary in marketing or lower entertainment expenses, but on reorganization of the work in terms of

- new task assignment,
- new working conditions,
- standardization of work quantity and quality, and
- incentive remuneration by a salary reflecting the work efficiency.

Reorganization should also include

- a vision about the place of performing the job,
- profitability of outsourcing certain jobs,
- reconsideration of the need to invest in property,
- reconsideration of the need to invest in new equipment



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The Company also needs a vision of further development and growth by setting the goals:

- toward re-stimulation i.e. increasing the interest of the local market (the growth in terms of competition, strengthening own position through loyalty of reading public and identification of Novi list daily as an imperative of local identity)
- toward starting new jobs and finding new geographical areas of interest,
- toward the expansion of the capacity of the printing plant and the editorial office relating to providing conditions for realization of the growth and development vision.

We think that the Company should use its image of independent newspapers for the regional growth and consider the possibility to enter into other media thus providing more successful growth and development. The idea of entering other media is particularly interesting because the Company does business on a similar market, already has some resources that could be used for working in other media and the only investment for equipping would be the investment in technical means and technical staff. We also find that this way of entering into other jobs would be useful for development of ambitions of the Company's own employees, higher quality of joint services work (use of their actual capacity), and the highest contribution would be to an easy assessment of their quality.

Moreover, we point out that initiating such growth and development should be based on in-depth studies on cost-efficiency and profitability, the amount of investment required not only for the project itself but also for the working capital required in the first years of non-profitable performance. We also think that before starting such a project, a program concept, universally applicable to the regional market, should already be available. Another prerequisite would be adequate monitoring of the local market to secure the conditions for regional growth.

- **CO PRILOZI (RESPONSIBILITY CENTER OF SUPPLEMENTS)**

The analysis of profitability of Novi list supplements showed that the responsibility center i.e. the profit center of Prilozi (Supplements) had negative performance of the period surveyed (-1.166.390 HRK). The loss is 63.10% of total generated income, which means that less of the half of expenses is covered by the income generated by CO Prilozi. In 2006, the period subject to analysis, 3.404.690 copies were printed whose unit production cost was 0.79 HRK (in 2005 it was 0.87 HRK) and the total price was 0.89 HRK (in 2005 it was 0.89 HRK).

The profitability of CO Prilozi i.e. its negative performance should be viewed as a component part of CO Novi list since the supplements are published as a part of Novi list. Since the costs of production of supplements to Novi list are relatively negligible with regard to the production costs of Novi list, we find their publishing justified. Consequently, looking at the whole, the same conclusions presented under the previous items about Novi list could apply to the common results as well.

- **CO DVD**

The analysis of profitability of DVD sold with the newspapers showed that the responsibility center i.e. the profit center performance in the period surveyed was positive and the result was a profit of 331.678 HRK. In 2006, the survey period, 2.523.760 pieces of DVD was bought and sold at the production cost of 0.34 HRK, the same as the total price because this project was not charged to the operating expenses. Comparative data for 2005 were not available.

The profitability of CO DVD should be considered as an integral part of CO Novi list because DVDs are sold with Novi list as tied purchase. Since the profit earned by

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purchase of DVDs has contributed to the Company's profitability, our opinion is that the introduction of tied purchase was a financially correct decision.

- **CO GLAS ISTRE**

Having analyzed the profitability of CO Glas Istre, we discovered that the performance of the profit centre, whose business is rendering printing services for Glas Istre, was successful with a profit of 2.092.239 HRK being 16.83% of earned operating income. In the survey period 2006, 6.013.463 copies of newspaper were printed and sold to the company Glas Istre d.d.

According to the available data, the price of one copy was calculated as follows:

- Unit production cost of a copy printed and sold 1.35 HRK (in 2005 – 1.38 HRK)
- Unit total price of a copy, printed and sold 1.74 HRK (in 2005 – 1.82 HRK)

The profitability analysis showed that the selling price of 1 copy of Glas Istre daily, based on a long-term cooperation contract signed in September 2001, was agreed to the amount of minimum 1.66 HRK (for 32 pages and circulation of 10.000 copies) to maximum 2.55 HRK (for 64 pages and 10.000 copies) and represents a profitable deal for the Company. On October 15, 2006, an Annex No. 4 was signed by which the prices were reduced.

The annex to the contract stipulating the lower prices was signed on October 15, 2006. This was when the expansion of the reporter office capacities and the increase in the price of the newsprint took place. Consequently, we find that agreeing to lower prices of printing and post-press processing when the cost of production calculation was burdened with the higher price of the newsprint, was not a good decision for the Company. Moreover, no new moments occurred by the time of negotiating the new prices to justify the reduction in the price.

- **CO BUTIGA**

Having analyzed the profitability of CO Butiga, we discovered that the performance of the profit centre CO Butiga was successful with a profit of 1.272.441 HRK being 21.20% of earned operating income. In 2006, the survey period, 581.156 copies were printed of which 497.937 copies were sold i.e. 85.68% (in 2005 – 85.56%). Other copies were the returns (76.756 copies), exemption (7.415 copies) and surplus (953 copies).

According to the available data, the price of copies was calculated as follows:

- Unit production cost of a printed copy 6.29 HRK (2005 – 6.36 HRK)
- Unit production cost of a sold copy 7.34 HRK (2005 – 7.43 HRK)
- Unit total price of a printed copy 8.26 HRK (2005 – 8.68 HRK)
- Unit total price of a sold copy 9.65 HRK (2005 – 10.14 HRK)

Having analyzed the profitability of CO Butiga, we discovered that launching of Butiga was another successful project that fully covers its expenses and contributes to the profitability of the Company. The selling price of Butiga is 10 HRK.

- **CO LA VOCE DEL POPOLO**

The analysis of CO La Voce del Popolo showed that the performance of the responsibility center, whose business is rendering printing services for the newspaper



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of the Italian minority, was not successful and generated a loss of 438.195 HRK. In 2006, the survey period, 626.989 copies were printed and they were all sold.

According to the available data, the price of copies were calculated as follows:

- Unit production cost of a copy printed and sold 1.43 HRK (in 2005 – 1.49 HRK)
- Unit total price of a copy, printed and sold 1.60 HRK (in 2005 – 1.69 HRK)

Having analyzed the profitability, we discovered that, pursuant to the Clause 17 of the Contract, the selling price of 1 copy of La Voce del Popolo was set to the amount of the production cost. However, the invoiced price could cover neither of the costs included in the total price of a copy nor the costs included in the production cost. When analyzing the justifiability of the printing service for La Voce del Popolo, other benefits the Company has from that relationship should also be taken into account. However, other jobs within this cooperation do not produce profit and saving respectively either in terms of saving on direct or indirect costs, therefore such transaction would be disadvantageous for the Company. We also draw attention to expiry of the contract with EDIT on January 1.

- **CO NGU**

The analysis of profitability of CO NGU (contract jobs – printing services) showed that the responsibility center performance in the survey period was negative with a loss of 52.738 HRK. In 2006, the survey period, 7.655.289 copies were printed.

According to the available data, average prices of copies were calculated as follows:

- Unit production cost of a printed copy 1.10 HRK (2005 – 1.69 HRK)
- Unit total price of a printed copy 1.35 HRK (2005 – 2.16 HRK)

The loss generated in the survey period is 0.52% of the realized operating income. In our opinion, the Company should focus on increasing the printing plant profitability in terms of engaging the press (idle time) by jobs that would improve its efficiency, job improvements and possible expansion of its capacity, should there be a market interest for that. In 2005, CO NGU ended the business year with a profit of 481.031 HRK. The income earned in 2005 was lower than the income earned in 2006 but the costs, both direct and indirect, were also lower. Consequently, the conclusion is that in spite of job improvements, CO NGU failed to follow the market demands for lowering the selling prices.

- **OTHER CO (RESPONSIBILITY CENTERS)**

1. The profitability analyzes of CO FENIKS showed that the responsibility center performance in the survey period was negative with a loss of 401.998 HRK. In 2006, the survey period, 616.911 copies were printed of which 345.913 copies were sold i.e. 56.07% (2005 – 59.02%). Other copies include the returns (264.258 copies) and exemption (6.740 copies). According to the available data, the prices of copies were calculated as follows:

- Unit production cost of a printed copy 3.60 HRK (2005 – 4.34 HRK)
- Unit production cost of a sold copy 6.42 HRK (2005 – 7.35 HRK)

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- unit total price of a printed copy 4.28 HRK (2005 – 5.14 HRK)
- Unit total price of a sold copy 7.64 HRK (2005 – 8.70 HRK)

The selling price is even higher than the calculated production costs and total prices so it follows that the negative performance is the consequence of inefficient sales and too high returns respectively. The loss is the result of operating expenses (joint services costs) that are charged to the responsibility center.

2. The profitability analyzes of CO SKANDI showed that the responsibility center performance in the survey period was negative with a loss of 46.448 HRK. In 2006, the survey period, 1.134.285 copies were printed of which 658.216 copies were sold i.e. 58.03% (2005 – 57.49%). Other copies are the returns (469.748 copies) and exemptions (6.321 copies). According to the available data, the prices of copies were calculated as follows:

- Unit production cost of a printed copy 1.95 HRK (2005 – 1.89 HRK)
- Unit production cost of a sold copy 3.36 HRK (2005 – 3.29 HRK)
- Unit total price of a printed copy 2.39 HRK (2005 – 2.33 HRK)
- Unit total price of a sold copy 4.12 HRK (2005 – 4.05 HRK)

Since the selling price is higher than the calculated production costs and total prices, it follows that Skandi would be a profitable project if the Company succeeds in reducing the returns.

3. The profitability analyzes of CO SUPER F showed that the responsibility center performance in the survey period was positive with a result of 173.408 HRK. In 2006, the survey period, 136.670 copies were printed of which 85.166 copies were sold i.e. 63.32% (2005 – 66.37%). Other copies are the returns (50.872 copies) and exemptions (632 copies). According to the available data, the prices of copies were calculated as follows:

- Unit production cost of a printed copy 1.91 HRK (2005 – 2.54 HRK)
- Unit production cost of a sold copy 3.07 HRK (2005 – 3.83 HRK)
- Unit total price of a printed copy 2.64 HRK (2005 – 3.62 HRK)
- Unit total price of a sold copy 4.24 HRK (2005 – 5.46 HRK)

Since the selling price is higher than the calculated production costs and the total prices, it follows that publishing of SUPER F is a profitable project even at relatively high returns.

4. The profitability analyzes of CO SUPER SK showed that the responsibility center performance in the survey period was positive with a result of 27.010 HRK. In 2006, the survey period, 107.820 copies were printed of which 74.958 copies were sold i.e. 69.52% (2005 – 66.63%). Other copies are the returns (32.278 copies) and exemptions (584 copies). According to the available data, the prices of copies were calculated as follows:

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- Unit production cost of a printed copy 2.02 HRK (2005 – 2.22 HRK)
- Unit production cost of a sold copy 2.91 HRK (2005 – 3.333 HRK)
- Unit total price of a printed copy 2.55 HRK (2005 – 2.77 HRK)
- Unit total price of a sold copy 3.67 HRK (2005 – 4.16 HRK)

Since the selling price is higher than the calculated production costs and the total prices, it follows that publishing of SUPER SK is a profitable project even at relatively high returns and relatively high variable costs of publishing.

**3.4. ANALYSIS OF INCOME IN THE SURVEY PERIOD**

The income earned in the survey period is stated as follows:

DESCRIPTION	2006		Incr/Decr	2005	
	HRK	% share	in % 06/05	HRK	% share
Operating income	172.328.717	99,63%	14,65%	150.303.856	97,78%
Financial income	646.252	0,37%	-81,10%	3.419.611	2,22%
<b>TOTAL</b>	<b>172.974.969</b>	<b>100,00%</b>	<b>12,52%</b>	<b>153.723.467</b>	<b>100,00%</b>

/i/ Operating income earned in the survey period is stated as follows:

DESCRIPTION	2006		Incr/Decr	2005	
	HRK	% share	in % 06/05	HRK	% share
Income from domestic sales	149.551.812	86,78%	5,82%	141.330.183	94,03%
Income from sales abroad	450.183	0,26%	-62,58%	1.203.153	0,80%
Income from granted discounts	14.566.030	8,45%	-	0	0,00%
Income from exemption of merchandise	19.373	0,01%	-98,74%	1.533.221	1,02%
<b>Total income from sales of products</b>	<b>164.587.398</b>	<b>95,51%</b>	<b>14,24%</b>	<b>144.066.557</b>	<b>95,85%</b>
Income from lease	265.851	0,15%	3,57%	256.698	0,17%
Income from selling merchandize	3.844.504	2,23%	35,94%	2.828.135	1,88%
Income from selling books	141.839	0,08%	1092,33%	11.896	0,01%
Income from selling returns	593.160	0,34%	12,61%	526.729	0,35%
Income from abolishing provisions	0	0,00%	-100,00%	280.000	0,19%
Other operating income	693.092	0,40%	407,12%	136.672	0,09%
<b>Total income from rendering services</b>	<b>5.538.446</b>	<b>3,21%</b>	<b>37,09%</b>	<b>4.040.130</b>	<b>2,69%</b>
Income from selling tangible assets	610.627	0,35%	61,72%	377.577	0,25%
Subsequently identified income	701.544	0,41%	343,22%	158.284	0,11%
Subsequently granted discount	432.004	0,25%	-62,35%	1.147.319	0,76%
Other non-specified operating income	458.698	0,27%	-10,76%	513.989	0,34%
<b>Other operating income</b>	<b>2.202.873</b>	<b>1,28%</b>	<b>0,26%</b>	<b>2.197.169</b>	<b>1,46%</b>
<b>TOTAL</b>	<b>172.328.717</b>	<b>100,00%</b>	<b>14,65%</b>	<b>150.303.856</b>	<b>100,00%</b>

Income from sales of products stated under the income statement for 2006 to the amount of 164.587.398 HRK refers to the income earned by selling newspapers and by advertising/announcements. Income from granted discounts will be compensated before closing the business year with the expenses from discounts stated under note 3.5./ii/ - financial expenses) and will lower total operating income.

The growth of operating income in the survey period in 2006 was 14.24% and if the operating income is deducted the income from the discounts granted, which decrease the current year income from sales, the operating income in the survey period was 4.13% higher. When we did this report, the structure of income from sales of products was not fully known, so we believe that the increase is the result of growth of income from selling advertising space. In 2006, the survey period, the income from

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advertising, newspapers and other operating income (within which also the income from printing is stated) was worse than the income in the year before.

/ii/ Financial income earned in the survey period is stated as follows:

DESCRIPTION	2006		Incr/Decr	2005	
	HRK	% share	in % 06/05	HRK	% share
Income from interests	393.071	60,82%	8,03%	363.845	10,64%
Exchange gains	244.340	37,81%	-76,84%	1.054.990	30,85%
Other financial income	8.841	1,37%	-99,56%	2.000.776	58,51%
<b>TOTAL</b>	<b>646.252</b>	<b>100,00%</b>	<b>-81,10%</b>	<b>3.419.611</b>	<b>100,00%</b>

Income from interests earned in the survey period is from statutory interests on arrears calculated on belated payments from buyers the Company subsequently collected, on interests collected from cash at bank, and on interests under a housing loan granted to a Company's employee.

**3.5. ANALYSIS OF EXPENSES IN THE SURVEY PERIOD**

Expenses generated in the survey period are stated as follows:

DESCRIPTION	2006		Incr/Decr	2005	
	HRK	% share	in % 06/05	HRK	% share
Operating expenses	146.798.432	90,33%	2,05%	143.851.940	98,87%
Financial expenses	15.710.975	9,67%	856,07%	1.643.279	1,13%
<b>TOTAL</b>	<b>162.509.407</b>	<b>100,00%</b>	<b>11,69%</b>	<b>145.495.219</b>	<b>100,00%</b>

Analysis of expenses covers also the analysis of operating expenses of the responsibility centers. A review of expenses allocated to the responsibility centers is as follows:

I T E M	2006	2005
	HRK	HRK
CO novine (newspapers)	39.354.127	42.095.310
CO revije (magazines)	5.313.682	5.798.985
CO tiskara (printing plant)	44.454.276	47.482.908
CO expedit (mail room)	*	5.107.133
CO transporti (transport)	*	3.266.483
CO prodaja (sales)	13.589.347	3.127.893
CO nabava (procurement)	691.038	1.010.766
CO marketing	11.191.088	13.355.597
CO uprava (management)	4.378.463	5.832.651
CO financije, plan i analiza (finance, plan & analysis)	1.887.679	1.959.511
CO informatika i održavanje (information & maintenance)	2.525.908	2.363.540
CO planiranje i opći poslovi (planning and joint services)	1.700.304	2.080.254
CO održavanje zgrade (building maintenance)	3.533.097	4.302.388
<b>TOTAL</b>	<b>128.619.009</b>	<b>137.783.419</b>
Income statement	146.798.432	143.851.940
Difference	-18.179.423	-6.068.521

\* data grouped within sales

Having analyzed operating expenses according to the responsibility centers (profit and expense centers), we discovered that the costs for building maintenance are

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exceptionally high so in our further analysis we paid special attention to the maintenance costs.

/i/ Operating expenses generated in the survey period are stated as follows:

DESCRIPTION	2006		Incr/Decr	2005	
	HRK	% share	in % 06/05	HRK	% share
Materials costs	37.371.801	25,46%	5,28%	35.497.507	24,68%
Acquisition cost of merchandize	2.812.232	1,92%	-3,82%	2.923.852	2,03%
Change in value of production and product inventory	56.435	0,04%	2257,35%	2.394	0,00%
Costs of services	29.864.759	20,34%	19,83%	24.921.576	17,32%
Staff costs	57.386.466	39,09%	-2,09%	58.612.351	40,74%
Depreciation	10.747.209	7,32%	-8,81%	11.785.029	8,19%
Accumulated depreciation of current assets	0	0,00%	-100,00%	1.386.822	0,96%
Other operating expenses	8.559.530	5,83%	-1,87%	8.722.409	6,06%
<b>TOTAL</b>	<b>146.798.432</b>	<b>100,00%</b>	<b>2,05%</b>	<b>143.851.940</b>	<b>100,00%</b>

- Materials costs generated in the survey period are stated as follows:

DESCRIPTION	2006		Incr/Decr	2005	
	HRK	% share	in % 06/05	HRK	% share
Materials costs	33.635.871	90,00%	5,95%	31.746.710	89,43%
Fuel and energy consumption	2.370.158	6,34%	0,56%	2.357.018	6,64%
Spare parts	1.197.022	3,20%	-6,36%	1.278.294	3,60%
Small inventory and tires	168.750	0,45%	46,12%	115.485	0,33%
<b>TOTAL</b>	<b>37.371.801</b>	<b>100,00%</b>	<b>5,28%</b>	<b>35.497.507</b>	<b>100,00%</b>

The material expenditure stated in the income statement for 2006 to the amount of 33.635.871 HRK relates mostly to the costs of newsprint, ink and press plates. The value of the newsprint used in the printing plant in the survey period is 24.836.365 HRK. Since the sales contract for newsprint have not been signed with most of the suppliers, and it was not possible to follow the method of selecting the most favorable supplier, we could not assure ourselves if the Company selected the most favorable supplier of the newsprint.

In 2006, the survey period, 4.672.778 HRK was spent for the press plates purchased from the suppliers with the exclusive right of selling the plates the Company can only use. Purchase prices of the plates from the exclusive supplier are almost the same as the prices of incompatible plates supplied by others.

- Purchase value of merchandize is stated in the income statement for 2006 to the amount of 2.812.232 HRK (2005 - 2.923.825 HRK). The merchandize involves books and DVDs sold at attractive prices with Novi list daily. They were supplied to the Company by the company Pa-Dora d.o.o. Zagreb and Adamić d.o.o. Rijeka.
- The change in the inventory value of the production and the products is stated in the income statement for 2006 to the amount of 56.435 HRK (2005 - 2.394 HRK) and it represents the value by which the expenses stated in the income statement are decreased because they refer to the costs included in the production cost calculation of the products. Since by the time of making the financial statements i.e. by December 31, the Company had not managed to

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sell all stock of finished products, the total stated value of the production costs will be adjusted by the associated value of the production costs referring to the stock found.

- Costs of services generated in the survey period are stated as follows:

DESCRIPTON	2006		Incr/Decr	2005	
	HRK	% share	in % 06/05	HRK	% share
Transport services	4.168.487	13,96%	6,15%	3.926.907	15,76%
Telecommunication services	2.295.894	7,69%	-2,74%	2.360.558	9,47%
Regular maintenance services	5.643.542	18,90%	12,79%	5.003.783	20,08%
Lease services	340.186	1,14%	-60,97%	871.650	3,50%
Promotional services	7.468.463	25,01%	4,79%	7.126.973	28,60%
Other services	9.948.187	33,31%	76,65%	5.631.705	22,60%
<b>TOTAL</b>	<b>29.864.759</b>	<b>100,00%</b>	<b>19,83%</b>	<b>24.921.576</b>	<b>100,00%</b>

**Transport services** are stated in the income statement for 2006 to the amount of 4.168.487 HRK are as follows:

DESCRIPTION	2006	
	HRK	% share
Agency services	1.172.019	28,12%
Distribution of contract jobs – printing services	411.405	9,87%
Distribution of magazines	337.307	8,09%
Distribution of Novi list daily	2.146.907	51,50%
Other	100.849	2,42%
<b>TOTAL</b>	<b>4.168.487</b>	<b>100,00%</b>

Agency services stated in the income statement for 2006 to the amount of 1.172.019 HRK cover the general news service in the past perform by HINA and remuneration to other agencies such as Reuters (World Service and News Picture Service), and others.

The most substantial services of transport (without account of agency services) were performed by the following companies:

DESCRIPTION	2006	
	HRK	% share
Dama d.o.o. Rijeka	1.734.576	57,89%
Tisak d.d. Zagreb	1.094.313	36,52%
Autoprijevoznik D. Despotović	167.820	5,59%
<b>TOTAL</b>	<b>2.996.709</b>	<b>100,00%</b>

The company Dama d.o.o performed the services of distribution of Novi list daily from the places of delivery to subscribers' homes. The company Dama d.o.o. performed also the services of transport and installation of newspaper boxes, acquisition of new subscribers and installation of boxes, and transport and installation of large boxes (total value 75.000 HRK stated with other services). In the area of Pag, distribution services were performed by the company EKO-VET d.o.o., whereas the dispatch abroad to the selling places and transport of newspapers to the selling places in the country was performed by the company Tisak d.d. Zagreb. The company Distri Press d.o.o performed transport in the Republic of Bosnia and Herzegovina.

The analysis of home delivery cost-efficiency showed that if the production cost of a printed copy (4.43 HRK) and the total price of a printed copy (5.58 HRK) identified



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in the previous section are added the transport cost for home delivery (1.30 HRK), the actual production cost of a printed copy is 5.73 HRK. This price is covered from the selling price. However, if the total price of a printed copy of 5.58 HRK is added the transport cost for home delivery of 1.30 HRK, the total price of a printed copy exceeds the selling prices, which, under the current organization home delivery, generates losses. Since the transport cost is already included in the total price of a printed copy (distributed to all printed copies uniformly), we can conclude that the loss is generated per one copy of home-delivered newspaper of 0.88 HRK/copy at the most.

**Regular maintenance services** stated in the income statement for 2006 to the amount of 5.643.542 HRK refer to the services of maintenance of information system and other maintenance services performed for the Company by below-stated suppliers:

	2006
DESCRIPTION	HRK
Laserfon d.o.o.	343.557
IMC d.o.o.	912.525
Alex Comp Dragan Aleksić	105.500
Sagena - informatički Inženjering d.o.o.	600.164
Fototeh d.o.o.	43.820
NetCom Rijeka	1.754.976
ProMar d.o.o.	19.549
Pro-Star d.o.o.	107.897
	2006
DESCRIPTION	HRK
TISGRUPA Meeting of Minds	93.558
ORKA d.o.o.	130.888
Others	1.531.108
<b>Total</b>	<b>5.643.542</b>

Regular maintenance works of vehicles during 2006 (in the above table presented under item Others) were executed by the companies Adria P.A. Rijeka, RB Auto d.o.o. Rijeka, Autonippon d.o.o. Rijeka, CIB Commerce d.o.o. Umag, and Ark-Mihelić d.o.o. Rijeka.

Services of the company Laserfon d.o.o. are stated as follows:

	2006
DESCRIPTION	HRK
Maintenance of network and communication equipment under the Contract of October 31 2005	22.800
Works on installation, adjustment and testing of communication network and network equipment	46.800
Maintenance of network and communication equipment under the Contract of October 31, 2005	22.800
Other	251.157
<b>TOTAL</b>	<b>343.557</b>

Services of the company IMC d.o.o. are stated as follows:

	2006
DESCRIPTION	HRK
Service of driving motors with associated fans in old printing press	34.540
Testing of windings and insulation resistance of motors and reduction gears	13.920
Current and power measurement on all current circuits of the main switchboard and a study of reliability	26.820
Other	864.065
<b>TOTAL</b>	<b>912.525</b>

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Having examined the business records, we discovered that the Company does not have the documentation from which it can be seen who ordered and who performed the works, works duration and the value, and who confirmed the completion of the works. In the available documentation, one cannot find the data on persons who certified that the works were invoiced in accordance with the contract. Similarly, it is not possible to see from the available documentation if the works executed were necessary and if necessary in the scope executed. The available documentation does not provide information on the suppliers bidding for a contract and the reasons why the company IMC d.o.o. was selected. We could not discover if the company IMC d.o.o. was the most favorable supplier/contractor.

Services by Alex Comp (Dragan Aleksić) are stated as follows:

	2006
DESCRIPTION	HRK
Calibration of safety valves of air containers and compressor and production of test certificates	13.600
Service of compressor No. 1 Kaeser in the new printing press, service and overhaul of compressor AtlasCopco in the old printing press	21.050
Repair of screw air compressor Kaeser AS 36	22.850
Repair and service of screw air compressor	10.800
Repair and service of compressor Kaeser AS 36	18.900
Other	18.300
<b>TOTAL</b>	<b>105.500</b>

Services by the company Sagena d.o.o. are stated as follows:

	2006
DESCRIPTION	HRK
Supply and installation of optical cable SC-LC duplex 3m	433.980
Other	166.184
<b>TOTAL</b>	<b>600.164</b>

Having examined the business records, we discovered no documentation from which it could be seen who ordered and who performed the works, works duration and the value, and who confirmed the completion of the works. In the available documentation, one cannot find the data on persons who certified that the works were invoiced in accordance with the contract. Similarly, it is not possible to see from the available documentation if the works executed were necessary and if necessary in the scope executed. The available documentation does not provide information on the suppliers bidding for a contract and the reasons why the company Sagena d.o.o. was selected. We could not discover if the company Sagena d.o.o. was the most favorable supplier/contractor. The alternative procedures applied discovered that the Company was not invoiced the equipment actually supplied therefore we suggested the Company to make a review and assessment of the works done and appraisal of their value.

Services of the company NetCom d.o.o. are stated as follows:

	2006
DESCRIPTION	HRK
Maintenance of IS on line editions	19.070
Maintenance of TERA software - Novi List	15.287
Maintenance of IS on line editions	19.070
Maintenance of on line editions Feniks	4.372
Maintenance of on line editions Feniks	4.403
Maintenance of on line editions eniks	4.418
Maintenance of IS sales under Contract	4.718
Maintenance of IS sales under contract	4.745
Maintenance of IS Marketing	4.892

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Maintenance of IS Marketing	4.899
Maintenance of TERA software - Novi List	15.380
Maintenance of TERA software - Novi List	15.121
Maintenance of IS on line editions	19.070
Maintenance of IS on line editions	19.070
Maintenance of TERA software - Novi List	15.367
Maintenance of TERA software - Novi List	15.329
Development – Design Engineer day	35.000
Maintenance of equipment under the contract	19.928
Maintenance of equipment under the contract	19.928
Software development to order	24.000
Software development to order	44.800
Maintenance of equipment under the contract	19.928
Maintenance of equipment under the contract	19.928
Development – Programmer day	20.800
Development – Programmer day	16.000
Development of software to order	12.800
Development of software to order	24.000
Development of software to order	16.000
Graphical processing of scanned pages SN PGŽ	18.950
Development of software to order	14.400
Service – System engineer day	20.000
Other	1.243.303
<b>TOTAL</b>	<b>1.754.976</b>

Having examined the Company's records, we discovered no documents to identify the works ordered with the company NetCom d.o.o., the contractor and the completion time of the works although in the contract the value of the works was measured generally by engineer/day or programmer/day. The Company's Director himself confirmed the works executed although different organizational units ordered the works.

By alternative procedures, we found out that some of the works had not been executed in the way expected because the terms of references were not clear enough with regard to the works to be done by the company NetCom d.o.o. It was also discovered that the employees themselves executed some contracted works because they were not made familiar with the split up of the works/responsibilities between the Company and NetCom d.o.o., which was responsible for monthly maintenance pursuant to the contract.

We have inspected the contracts signed with the company Netcom d.o.o. and found out that the contract stipulated some maintenance works for which there was no evidence or records of their execution although they have been invoiced and paid.

We also find it unacceptable that the contracts signed with the company NetCom d.o.o. do not contain any protective clauses, for instance making the payment conditional on execution of works, quality assurance of the services rendered, adequate guarantee period and kind of works in case of a complaint and in case of necessary new service. The company NetCom d.o.o. was not asked to provide user's manuals to enable proper use of the software by the Company.

The cooperation with the company NetCom d.o.o. has been described further in the text under the note 4.1. of this report.

Services of the company Pro-Star d.o.o. are stated as follows:

	2006
DESCRIPTION	HRK

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Under the contract for using and maintaining the information system for collection of small adverts and similar	3.380
Under the contract for using and maintaining the information system for collection of small adverts and similar	3.380
Other	101.137
<b>TOTAL</b>	<b>107.897</b>

Services of the company TisGrupa Meeting of Minds are presented as follows:

	2006
DESCRIPTION	HRK
Payment for using the license for Supra Server V2 Kernel Supra Pack for 25 CC Users	7.284
Payment for using the license for Server V2 Kernel Supra Pack for 25 CC Users	6.905
Other	79.369
<b>TOTAL</b>	<b>93.558</b>

Services of the company ORKA d.o.o. are presented as follows:

	2006
DESCRIPTION	HRK
Maintenance	4.837
Maintenance	4.646
Connecting the Files for invoicing from Netcom to Orka-sw	8.785
Complements and testing	18.744
Jobs related to the database and software	13.260
Other	80.616
<b>TOTAL</b>	<b>130.888</b>

We have analyzed the growth and fall of turnover with the suppliers stated and we found out that the cooperation with some suppliers started in 2005, with some suppliers the cooperation increased, and with some suppliers the cooperation lowered – all measured by the scope of executed works. A comparative review for the years 2004, 2005 and 2005 is given as follows:

	2006	2005	2004	2003
DESCRIPTION	HRK	HRK	HRK	HRK
Laserfon d.o.o.	343.557	551.236	637.610	485.805
IMC d.o.o.	912.525	653.656	463.483	122.594
Alex Comp Dragan Aleksić	105.500	72.520	0	21.300
Sagena -Informatički Inženjering	600.164	149.721	26.293	5.736
Serving d.o.o.	0	51.420	28.276	0
Fototeh d.o.o.-ostalo	43.820	47.387	7.755	0
NetCom Rijeka	1.754.976	1.752.282	1.311.340	1.200.788
ProMar d.o.o. ostalo	19.549	19.549	0	14.839
Pro-Star d.o.o.	107.897	106.485	0	0
TISGRUPA Meeting of Minds	93.558	91.665	0	0
ORKA	130.888	111.213	142.145	107.311
Others	1.531.108	1.396.649	1.518.580	2.291.041
<b>Total</b>	<b>5.643.542</b>	<b>5.003.783</b>	<b>4.135.482</b>	<b>4.249.414</b>

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**Promotional services** are stated in the income statement for 2006 to the amount of 7.468.463 HRK as follows:

DESCRIPTION	2006	
	HRK	% share
Prize game	3.442.441	46,09%
Prize game costs	2.684.294	35,94%
Others	1.341.728	17,97%
<b>TOTAL</b>	<b>7.468.463</b>	<b>100,00%</b>

The Company procured the prizes for the prize game from well-known car concessionaires (Adria P.A. d.o.o. Rijeka, RB auto d.o.o. Rijeka, ARK Mihelić d.o.o. Rijeka, Kuželka d.o.o. Rijeka, Autonippon d.o.o. Rijeka, Afro d.o.o. Rijeka and others).

The costs of the price game refers to preparation and advertising of prize games and to the gifts given to Novi list readers. They were supplied by the companies Roly Color, Grafičar d.d. Ludbreg, Kraš d.d. Zagreb, RTL Hrvatska d.o.o. Zagreb, HRT j.p. Zagreb, Digitel medijski servisi DMS d.o.o. and others.

**Other services** are stated in the income statement for 2006 to the amount of 9.948.187 HRK as follows:

DESCRIPTION	2006	
	HRK	% share
Services of employment agency	2.410.598	24,23%
Services of Student Service	1.564.401	15,73%
Other	5.973.188	60,04%
<b>TOTAL</b>	<b>9.948.187</b>	<b>100,00%</b>

Expenses of the employment agency are stated in the income statement for 2006 to the amount of 2.410.598 HRK. They refer to using reporters from external sources for making supplements required to the editorial staff for newspapers and magazines. The services of Student Service are used to fill in the lack of employees for simple jobs during periods with more work.

- Staff costs generated in the survey period are stated as follows:

DESCRIPTION	2006		Inc/Decr in % 06/05	2005	
	HRK	% share		HRK	% share
Contributions to gross salaries	7.721.321	13,45%	5,41%	7.324.771	12,50%
Gross salaries	44.891.404	78,23%	5,41%	42.585.875	72,66%
Author's fee and works contracts	3.670.241	6,40%	-51,41%	7.554.205	12,89%
Other material rights of employees	1.103.500	1,92%	-3,83%	1.147.500	1,96%
<b>TOTAL</b>	<b>57.386.466</b>	<b>100,00%</b>	<b>-2,09%</b>	<b>58.612.351</b>	<b>100,00%</b>

Having inspected the regularity and legitimacy of calculating the salaries, we can confirm that in the survey period the Company calculated the salaries in line with the law and regulations.

- Depreciation stated in the income statement for 2006 to the amount of 10.747.209 HRK (2005 - 11.785.029 HRK) was calculated in accordance with the accounting policy.

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- Accumulated depreciation of current assets for 2006 has not been executed because it is done on completion of the process of recoverability assessment carried out by Sales (subscriptions) and Marketing (advertising and announcements). It will be done before final financial statements for 2006 are made.
- Other operating expenses generated in the survey period are stated as follows:

DESCRIPTION	2006		Inc/Decr in % 06/05	2005.	
	HRK	% share		HRK	% share
Daily allowances and traveling expenses	2.360.485	27,58%	19,80%	1.970.289	22,59%
Intellectual services	195.031	2,28%	-50,10%	390.878	4,48%
Entertainment and exemption of merchandize	982.165	11,47%	8,08%	908.737	10,42%
Insurance premiums	1.065.723	12,45%	-2,09%	1.088.445	12,48%
Taxes and contributions not depending on the performance	452.060	5,28%	-18,37%	553.795	6,35%
Bank services and payment operations	331.460	3,87%	16,44%	284.661	3,26%
Other operating expenses	1.372.332	16,03%	-52,05%	2.861.796	32,81%
Other operating expenditures	1.800.274	21,03%	171,20%	663.808	7,61%
<b>TOTAL</b>	<b>8.559.530</b>	<b>100,00%</b>	<b>-1,87%</b>	<b>8.722.409</b>	<b>100,00%</b>

/ii/ Financial expenses generated in the survey period are stated as follows:

DESCRIPTION	2006		Inc/Decr in % 06/05	2005.	
	HRK	% share		HRK	% share
Interest expenditures	833.017	5,30%	-15,89%	990.435	60,27%
Discount expenditures	14.566.030	92,71%	-	0	0,00%
Other financial expenditures	311.928	1,99%	-52,22%	652.844	39,73%
<b>TOTAL</b>	<b>15.710.975</b>	<b>100,00%</b>	<b>856,07%</b>	<b>1.643.279</b>	<b>100,00%</b>



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**4. ANALYSIS OF ASSETS AND LIABILITIES****4.1. PROPERTY, PLANTS, EQUIPMENT AND INTANGIBLE ASSETS**

DESCRIPTION	Land		Buildings		Property, plant & equipment		Office equipment and vehicles		Other assets		Residential buildings and apartments		Capital work in progress		Real estates, plants and equipment		Intangible assets		TOTAL ASSETS	
	HRK		HRK		HRK		HRK		HRK		HRK		HRK		HRK		HRK		HRK	
<b>ACQUISITION COSTS</b>																				
<b>Balance as at Jan 1, 2005</b>	<b>2.785.891</b>		<b>26.814.953</b>		<b>67.995.362</b>		<b>18.404.833</b>		<b>43.848</b>		<b>934.075</b>		<b>2.185.653</b>		<b>119.164.415</b>		<b>5.507.925</b>		<b>124.672.340</b>	
Direct increase in assets	0		0		0		0		0		0		4.514.233		4.514.233		1.119.875		5.634.108	
Transferred to use	4.111		0		3.057.250		2.921.720		0		0		(6.338.161)		(355.080)		0		(355.080)	
Disposal and write off	0		0		(2.730.009)		(1.418.044)		0		(255.986)		0		(4.404.039)		(33.329)		(4.437.368)	
<b>Balance as at Dec 31, 2005</b>	<b>2.790.002</b>		<b>26.814.953</b>		<b>68.322.603</b>		<b>19.908.309</b>		<b>43.848</b>		<b>678.089</b>		<b>361.725</b>		<b>118.919.529</b>		<b>6.594.471</b>		<b>125.514.000</b>	
Direct increase in assets	0		0		0		0		0		0		4.798.739		4.798.739		0		4.798.739	
Transferred to use	0		0		2.438.180		3.456.097		26.520		0		(4.802.717)		1.118.080		1.045.561		2.163.641	
Disposal and write off	(86.335)		0		(1.088.764)		(4.776.800)		0		(678.089)		0		(6.629.988)		(351.327)		(6.981.315)	
<b>Balance as at Dec 31, 2006</b>	<b>2.703.667</b>		<b>26.814.953</b>		<b>69.672.019</b>		<b>18.587.606</b>		<b>70.368</b>		<b>0</b>		<b>357.747</b>		<b>118.206.360</b>		<b>7.288.705</b>		<b>125.495.065</b>	
<b>REVALUATION</b>																				
<b>Balance as at Jan 1, 2005</b>	<b>0</b>		<b>9.816.706</b>		<b>51.726.817</b>		<b>15.674.220</b>		<b>0</b>		<b>108.310</b>		<b>0</b>		<b>77.326.053</b>		<b>4.139.468</b>		<b>81.465.521</b>	
Depreciation	0		1.340.748		7.404.770		2.639.863		0		38.171		0		11.423.552		1.141.539		12.565.091	
Disposal and write off	0		0		(2.730.009)		(1.350.722)		0		(104.101)		0		(4.184.832)		(66.657)		(4.251.489)	
<b>Balance as at Dec 31, 2005</b>	<b>0</b>		<b>11.157.454</b>		<b>56.401.578</b>		<b>16.963.361</b>		<b>0</b>		<b>42.380</b>		<b>0</b>		<b>84.564.773</b>		<b>5.214.350</b>		<b>89.779.123</b>	
Depreciation	0		1.414.416		9.314.101		2.154.078		0		28.254		0		12.910.850		384.656		13.295.506	
Disposal and write off	0		0		(3.471.157)		(2.394.406)		0		(70.634)		0		(5.936.197)		(735.982)		(6.672.179)	
<b>Balance as at Dec 31, 2006</b>	<b>0</b>		<b>12.571.870</b>		<b>62.244.522</b>		<b>16.723.033</b>		<b>0</b>		<b>0</b>		<b>0</b>		<b>91.539.426</b>		<b>4.863.024</b>		<b>96.402.450</b>	
<b>PRESENT VALUE</b>																				
<b>JANUARY 1, 2006.</b>	<b>2.785.891</b>		<b>16.998.247</b>		<b>16.268.545</b>		<b>2.730.413</b>		<b>43.848</b>				<b>2.185.653</b>		<b>41.838.362</b>		<b>1.368.457</b>		<b>43.206.819</b>	
<b>DECEMBER 31, 2005</b>	<b>2.790.002</b>		<b>15.657.499</b>		<b>11.921.025</b>		<b>2.944.948</b>		<b>43.848</b>				<b>361.725</b>		<b>34.354.756</b>		<b>1.380.121</b>		<b>35.734.877</b>	
<b>DECEMBER 31, 2006</b>	<b>2.703.667</b>		<b>14.243.083</b>		<b>7.427.497</b>		<b>1.864.573</b>		<b>70.368</b>				<b>357.747</b>		<b>26.666.934</b>		<b>2.425.681</b>		<b>29.092.615</b>	

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/i/ Land stated in the balance sheet as at December 31, 2006 at the acquisition cost of 2.703.667 HRK is as follows:

DESCRIPTION	December 31, 2006	Date of
	HRK	purchase
Land - Zvonimirova 20a	901.222	1966
Land - R. Benčića 2a	1.802.445	2001
<b>TOTAL</b>	<b>2.703.667</b>	

/ii/ Buildings stated in the balance sheet as at December 31, 2006 at the acquisition cost of 26.814.953 HRK are as follows:

DESCRIPTION	Dec 31, 2006	Date of
	HRK	purchase
Building - Kuća Štampe – office building, editorial office, magazines	11.619.142	1966
Office building – old facility	3.140.636	1978
Office space 477.64 m <sup>2</sup> – procurement and graphics	1.050.000	1995
Office space V. Lisinskog 1 Karlovac – reporter's office	448.589	1996
Office space 48.18m <sup>2</sup> -Supilova 33 – advertisement dept. Delnice	222.876	1997
Office space Zagreb 157,33 m <sup>2</sup> -Boškovićeve – reporters office	1.446.979	2000
Office space 258.06. R. Benčića 2a Rijeka – warehouse for newsprint	1.670.438	2000
Printing plant building - Rikarda Benčića 2A – Printing press and mail room	5.901.134	2001
Office space R. Benčića 2a Princ-Herm lease printing plant Lambert	1.315.159	2001
<b>Total</b>	<b>26.814.953</b>	

Having examined the business records, we discovered that the Company had been registered as an owner of the buildings and the land except for the office space in Zagreb. The registration is in progress.

/iii/ Procurement of new machinery, furniture and equipment in 2006 is stated as follows:

DESCRIPTION	Total value	Supplier	Date of purchase
	HRK		
Installation of distribution and fan convectors	938.543	Serving d.o.o. Rijeka	June 19, 06
Installation of distribution and fan convectors	486.536	Serving d.o.o. Rijeka	Nov 21, 06
Telephone exchange	418.149	Sagena informatički inženjering d.o.o.	June 1, 06
Air condition in old printing press – graphical department	89.727	IMC d.o.o.	Jan 31, 06
Telephone exchange BCM 200IP – editorial office	69.275	Sagena informatički inženjering d.o.o.	July 12, 06
Furniture for Adverts office in Rijeka	68.950	Modern Line d.o.o.	March 17, 06
Air condition and ventilation – Adverts office Rijeka	66.494	Elektroobrt Ružić	March 22, 06
Technical supervision of mechanical installations	23.000	Rijekaprojekt energetika d.o.o.	June 21, 06
Neon sign Novi list	20.600	Roly color vl. Ronald Vlahović	March 9, 06
Development of detail design for mechanical installations	19.800	Rijekaprojekt energetika d.o.o.	May 11, 06
Furniture, adverts office Crikvenica	13.823	Modern Line d.o.o.	19.10.06.
Development of design documents for replacement of piping	12.000	Rijekaprojekt - Energetika d.o.o.	Nov 2, 06
Air condition Fujitsu ASY -9	12.480	Elektroobrt Ružić	Oct 2, 06
Furniture – Adverts office Rijeka	11.882	Meblo Trade d.o.o.	March 13, 06
Furniture – Butiga editorial office	10.183	Meblo Trade d.o.o.	Sept 22, 06
Water softening agent 32	10.111	Elektroobrt Ružić	March 20, 06
Air condition Fujitsu ASY-14 L	8.700	Elektroobrt Ružić	July 5, 06
Archive cabinet	4.820	Modern Line d.o.o.	May 16, 06
Wardrobe cabinet	2.560	Primat-RD	June 6, 06
Wardrobe cabinet	2.060	Primat-RD	June 6, 06
Office armchair	1.980	Veleoprema d.o.o.	June 19, 06
Office chair with feet rest	1.318	Veleoprema d.o.o.	June 2, 06

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Other	145.189
<b>TOTAL</b>	<b>2.438.180</b>

/iv/ Procurement of office equipment and vehicles in 2006 is as follows:

DESCRIPTION	Total value HRK	Supplier	Date of purchase
Main network switch	262.708	Sagena informatički inženjering d.o.o.	June 1, 06
Renault Master RI 480-GN	114.518	Adria P.A. d.o.o.	July 25, 06
Kangoo Express Confort Grand vol. 1.5 RI 379-FS	66.975	Adria P.A. d.o.o. Rijeka	May 5, 06
Computer equipment	57.383	Sagena informatički inženjering d.o.o.	April 20, 06
Camera	50.424	Fototeh d.o.o.	June 2, 06
10 PC Celeron for editorial office	41.830	Netcom -Rijeka	Nov 30, 06
Airmux-200	41.790	Sagena informatički inženjering d.o.o.	March 31, 06
4 PCs for Marketing	35.196	Netcom -Rijeka	Nov 16, 06
Storage Buffalo Terastation 1 TB	30.420	Netcom -Rijeka	Feb 10, 06
Camera Nikon D2x	30.088	Fototeh d.o.o.	Feb 21, 06
Camera Nikon D2X	25.413	Fototeh d.o.o.	March 3, 06
Citroen Saxo RI 701-NH	24.846	ARK Mihelić d.o.o. Viškovo	Aug 21, 06
PC Intel E 6400 – Butiga editorial office	24.195	Netcom -Rijeka	Sept 21, 06
Camera Nikon D2XS – editorial office	23.779	Fototeh d.o.o.	Dec 15, 06
Pc Intel Core 2 for graphical preparation	22.794	Netcom -Rijeka	Oct 13, 06
UPS Pulsar Ev. 3000	20.318	Sagena informatički inženjering d.o.o.	June 8, 06
Rittal cabinet	18.817	Sagena informatički inženjering d.o.o.	Apr 20, 06
PC Intel Pentium IV	18.208	NetCom d.o.o. Rijeka	Apr 24, 06
Printer P Laser Jet 5200 – marketing	17.300	Netcom -Rijeka	Nov 13, 06
PC Intel	16.586	Netcom -Rijeka	July 17, 06
Installation of working cabinets, 6 pcs. PC Celeron	16.500	Pro Star d.o.o.	March 21, 06
Lens Nikkor 17-55 mm	16.398	Fototeh d.o.o.	Nov 10, 06
Notebook Acer Celeron	13.200	Laserfon d.o.o.	Feb 5, 06
Lens Nikkor 70-200mm	12.999	Fototeh d.o.o.	Apr 13, 06
Lens Nikkor 80-400mm	12.397	Fototeh d.o.o.	Apr 5, 06
Notebook HP Compaq NX 6125	12.308	Netcom -Rijeka	Sept 7, 06
Symbol PPT8800 terminal WinCE, color, scenner, 6 pushbottons	11.150	NetCom d.o.o. Rijeka	June 8, 06
Lens Nikkor	11.049	Fototeh d.o.o.	March 23, 06
PC Intel Core 2 marketing	10.402	Netcom -Rijeka	Oct 13, 06
Notebook Acer Celeron	9.600	Laserfon d.o.o.	Feb 5, 06
Communication cabinet – Butiga adverts office	8.545	Pro-Star d.o.o.	March 21, 06
PC Intel P4/300/1024	8.015	NetCom d.o.o. Rijeka	June 14, 06
Installation of service _ Butiga adverbs office	7.155	Pro Star d.o.o.	March 21, 06
Copy machine CANON	6.846	KSU Company d.o.o.	May 10, 06
Video supervision	6.657	Pro-Star d.o.o.	March 21, 06
Scanner HP Scanjet 8270 – editorial office	6.297	Netcom -Rijeka	Nov 6, 06
Netcard Fusion	4.914	T-Mobile Hrvatska d.o.o.	Apr 3, 06
Router Netgear FSV 338	4.510	Netcom -Rijeka	March 2, 06
Monitor AOC 17 - tajništvo	3.510	Netcom -Rijeka	Nov 7, 06
Canon fax L-100	2.003	KSU Company d.o.o.	May 3, 06
Notebook bag	1.440	Laserfon d.o.o.	Feb 5, 06
Other	1.353.759		
<b>TOTAL</b>	<b>3.456.097</b>		

/v/ Intangible assets stated in the balance sheet as at December 31, 2006 to the amount of 7.288.705 HRK refers generally to the software developed for the Company by the company NetCom d.o.o. Having examined the business records of the Company we could not see what the reasons for selecting NetCom d.o.o. for sale of the software were. Moreover, the company NetCom d.o.o. developed its system in the Company but the Company has never become the owner of the software. The owner of the software is the company NetCom d.o.o. The Company undertook to use the software, pay for its development, and pay additional fee for use of the software.

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We have analyzed the reasons for buying the software for particular modules and we discovered that the funds spent on development of the information system not enabling the management accounting (reporting) and not connected with all the business segments are so high that for that money the Company could have purchased much better information system that would guarantee long-term usability and cheaper updates if necessary. Our opinion is also that selection of a software company with relatively small number of employees and relatively small number of users does not provide the Company with a guarantee for smooth operations, which is of particular importance for this kind of business. Procurement of intangible assets in 2006 is stated as follows:

DESCRIPTION	Total value	Supplier	Date of purchase
	HRK		
Interior decoration of Novi list adverts office	250.965	Zanatska Zadruga Gradin	
Reflector	84.175	Elektromaterijal d.d.	March 16, 06
Software development to order	52.526	NetCom d.o.o. Rijeka	Apr 26, 06
Software development to order	52.311	NetCom d.o.o. Rijeka	May 26, 06
Software development to order	52.238	NetCom d.o.o. Rijeka	June 29, 06
Development of feasibility study Novi list portal	50.000	Laserfon d.o.o.	Feb 5, 06
Software development to order	36.508	Netcom -Rijeka	Aug 29, 06
Software development to order	36.327	Netcom -Rijeka	May 26, 06
Software development to order	36.276	Netcom -Rijeka	June 29, 06
Software development to order	36.226	Netcom -Rijeka	July 25, 06
Software development to order	31.875	Netcom -Rijeka	March 7, 06
Software development to order	31.875	Netcom -Rijeka	July 26, 06
Software development to order	31.875	Netcom -Rijeka	June, 28, 05
Software development to order	31.875	Netcom -Rijeka	May 23, 05
Development of design documentation	29.700	Pangos d.o.o.	March 20, 06
Partition wall combined with doors	25.324	Modern Line d.o.o.	March 17, 06
Software development to order	25.000	NetCom d.o.o. Rijeka	Nov 28, 05
Software development to order	25.000	NetCom d.o.o. Rijeka	Oct 24, 05
Software development to order	25.000	NetCom d.o.o. Rijeka	Sept 28, 05
Software development to order	25.000	NetCom d.o.o. Rijeka	Aug 26, 05
Software - traveling orders from Netcom Rijeka	25.000	Netcom -Rijeka	Feb 2, 06
Room door, 4 off	12.640	Modern Line d.o.o.	March 17, 06
Development of software for Symbol PPT 8800	12.500	NetCom d.o.o. Rijeka	June 8, 06
Development of findings and opinion about office space	4.200	Jasminka Lilić	March 30, 06
Laths	3.747	Diskont Koop	March 28, 06
Wall masks – additional payment for desk cabinet	2.620	Modern Line d.o.o.	March 17, 06
Other	14.778		
<b>TOTAL</b>	<b>1.045.561</b>		

/vi/ A review of most significant procurements according to the suppliers:

DESCRIPTION	2006
	HRK
Serving d.o.o. Rijeka	1.425.079
Sagena informatički inženjering d.o.o.	888.440
NetCom d.o.o. Rijeka	830.458
Zanatska Zadruga Gradin	250.965
Pangos d.o.o.	227.700
Fototeh d.o.o.	182.547
Primorsko-Goranska Županija Grad Rijeka	152.047
Modern Line d.o.o.	128.177
Adria P.A. d.o.o.	114.518
Others	641.048
<b>TOTAL</b>	<b>4.840.979</b>

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The company Serving d.o.o. Rijeka executed the works of installation of power distribution and fan convectors (air condition for offices). Since most of the equipment was supplied by the company Serving d.o.o., we analyzed the reasons for selecting this very company as the most favorable supplier. We discovered that the Company did not invite other suppliers to bid. By alternative procedures, we also discovered that the price for the equipment supplied by those suppliers was by no means the most favorable price. Therefore, we think that the Company should have invited other supplier to bid to select the most favorable one.

The Company bought a telephone exchange from the company Sagena d.o.o., which is not been in full is service yet. Since the value of the equipment purchased depends on the delivery time and installation of the equipment, and the saving because of its use, our opinion is that the Company should pay special attention to the time some projects take because the implementation time is also a factor to determine the purchase price.

Having examined the business records, we discovered that during the survey period the Company was successively buying a larger quantity of cameras from the company Fototeh d.o.o. under different discount rates granted. We draw attention to a necessary purchase plan of the Company's annual needs for certain pieces of equipment, selection of the most favorable suppliers, and execution of the contracts with them to get better or equal conditions of purchase.

/vii/ Having examined the business records, we identified burden on some assets of the Company such as the printing tower, printing press and office building in Rijeka, and the offices in Zagreb.

DESCRIPTION	Total value	Supplier	Date of purchase
	HRK		
Design documentation for reconstruction k.č.* 4736/4 k.o. Zamet	59.400	Pangos d.o.o.	05.12.05.
Design documentation for reconstruction k.č.4736/4 k.o. Zamet	59.400	Pangos d.o.o.	18.02.05.
Design documentation for reconstruction k.č.4736/4 k.o. Zamet	39.600	Pangos d.o.o.	29.05.06.
Design documentation for reconstruction k.č.4736/4 k.o. Zamet	39.600	Pangos d.o.o.	08.01.04.
Local tax for k.č. 4736/2, 4736/3, 4736/4, 4736/5	152.047	Primorsko-goranska County, City of Rijeka	03.07.06.
Review of design documentation for reconstruction of office building	4.500	Agit d.o.o.	05.12.05.
Design documentation for reconstruction of office building	3.200	3K d.o.o.	30.11.05.
<b>TOTAL</b>	<b>357.747</b>		

\*k.č. = land plot

#### 4.2. **NON-CURRENT FINANCIAL ASSETS**

DESCRIPTION	December 31, 2006		Inc/Decr in % 06/05	December 31, 2005	
	HRK	% share		HRK	% share
Investment in shares and interests	8.444.658	101,55%	-21,10%	10.703.145	101,22%
Revaluation of investment in shares and interests	(128.653)	-1,55%	0,00%	(128.653)	-1,22%
<b>TOTAL</b>	<b>8.316.005</b>	<b>100,00%</b>	<b>-21,36%</b>	<b>10.574.492</b>	<b>100,00%</b>

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DESCRIPTION	December 31, 2006		Inc/Decr in % 06/05	December 31, 2005	
	HRK	% share		HRK	% share
Non-current receivables under insurance policies	646.345	83,25%	-53,96%	1.404.007	89,41%
Non-current receivables under deposits (borrowings)	130.038	16,75%	-21,80%	166.298	10,59%
<b>TOTAL</b>	<b>776.383</b>	<b>100,00%</b>	<b>-50,56%</b>	<b>1.570.305</b>	<b>100,00%</b>

**4.4. INVENTORIES**

DESCRIPTION	December 31, 2006.		Inc/Decr in % 06/05	December 31, 2005.	
	HRK	% share		HRK	% share
Materials in stock	2.272.774	77,99%	-5,95%	2.416.516	75,64%
Spare parts in stock	47.848	1,64%	-23,18%	62.282	1,95%
Small inventory and tires in stock	11.074	0,38%	71,66%	6.451	0,20%
Small inventory and tires in use	796.244	27,32%	26,89%	627.494	19,64%
Small inventory and tires revaluation	(796.244)	-27,32%	26,89%	(627.494)	-19,64%
<b>Small inventory stocks</b>	<b>2.331.696</b>	<b>80,01%</b>	<b>-6,18%</b>	<b>2.485.249</b>	<b>77,79%</b>
Transfer of materials	278.956	9,57%	78,19%	156.546	4,90%
Production in progress	0	0,00%	-100,00%	6.471	0,20%
Products stock	247.693	8,50%	-16,79%	297.658	9,32%
Merchandise stock	1.236	0,04%	-98,23%	69.982	2,19%
Stock of commissioned merchandize	54.661	1,88%	-69,43%	178.799	5,60%
<b>Production, product and merchandize stock</b>	<b>582.546</b>	<b>19,99%</b>	<b>-17,89%</b>	<b>709.456</b>	<b>22,21%</b>
<b>TOTAL</b>	<b>2.914.242</b>	<b>100,00%</b>	<b>-8,78%</b>	<b>3.194.705</b>	<b>100,00%</b>

We have analyzed the inventories and discovered that in 2006, the stock turnover of production, products and merchandize was 283 and in 2005 it was 203. The increase in stock turnover was achieved due to smaller stock of merchandize stated as at December 31, 2006 and due to lower stock of own products.

**4.5. RECEIVABLES**

DESCRIPTION	December 31, 2006		Inc/Decr in % 06/05	December 31, 2005	
	HRK	% share		HRK	% share
Trade receivables	24.517.946	55,90%	23,69%	19.822.477	82,47%
Receivables for payments on account	325	0,00%	-98,04%	16.556	0,07%
Receivables from joint transactions	3.558.379	8,11%	-2,58%	3.652.484	15,20%
Receivables from the government and state institutions	15.565.638	35,49%	721199,26%	2.158	0,01%
Receivables from staff	14.111	0,03%	-31,28%	20.535	0,09%
Other receivables	207.225	0,47%	-60,25%	521.282	2,17%
<b>TOTAL</b>	<b>43.863.624</b>	<b>100,00%</b>	<b>82,50%</b>	<b>24.035.492</b>	<b>100,00%</b>

/i/ Trade receivables are stated as follows:

DESCRIPTION	December 31, 2006		Inc/Decr in % 06/05	December 31, 2005	
	HRK	% share		HRK	% share
Trade receivables – domestic	30.042.884	122,53%	18,09%	25.439.846	128,34%
Trade receivables – credit cards	202.951	0,83%	-2,57%	208.295	1,05%
Trade receivables revaluation	(5.727.889)	-23,36%	-1,68%	(5.825.664)	-29,39%
<b>TOTAL</b>	<b>24.517.946</b>	<b>100,00%</b>	<b>23,69%</b>	<b>19.822.477</b>	<b>100,00%</b>



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Having analyzed the recoverability of the receivables, we discovered that in 2006, the receivables were collected within 67 days and in 2005, they were collected within 64 days.

Trade receivables in the country were analyzed within the Note 3.1 of this Report including a review of the contracts signed, yearly invoiced amounts, and the maturity structure of trade receivables. The analysis of trade receivables recoverability from the legal entities showed that some receivables are disputed or doubtful.

/ii/ Receivables for payments on account are stated in the balance sheet as at December 31, 2006 to the amount of 325 HRK (December 31, 2005 - 16.556 HRK)

/iii/ Receivables from joint transactions are stated as follows:

DESCRIPTION	December 31, 2006		Inc/Decr in % 06/05	December 31, 2005	
	HRK	% share		HRK	% share
Receivables from joint transactions	11.550	0,05%	6425,42%	177	0,00%
Receivables from commission sale	3.543.690	14,45%	-0,10%	3.547.307	97,12%
Other receivables from joint transactions	3.139	0,01%	-97,01%	105.000	2,87%
<b>TOTAL</b>	<b>3.558.379</b>	<b>14,51%</b>	<b>-2,58%</b>	<b>3.652.484</b>	<b>100,00%</b>

/iv/ Receivables from the government are stated as follows:

DESCRIPTION	December 31, 2006		Inc/Decr in % 06/05	December 31, 2005	
	HRK	% share		HRK	% share
VAT receivables	14.023.272	90,09%	-	0	0,00%
Receivables for VAT payment on advance	1.541.714	9,90%	-	0	0,00%
Receivables for more paid taxes and contributions	652	0,00%	-69,79%	2.158	100,00%
<b>TOTAL</b>	<b>15.565.638</b>	<b>100,00%</b>	<b>721199,26%</b>	<b>2.158</b>	<b>100,00%</b>

/v/ Receivables from employees are stated in the balance sheet as at December 31, 2006 to the amount of 14.111 HRK (December 31, 2005 – 20.535 HRK) and refer to staff receivables for advance pays.

/vi/ Other current receivables are stated as follows:

DESCRIPTION	December 31, 2006		Inc/Decr in % 06/05	December 31, 2005	
	HRK	% share		HRK	% share
Interests receivables	53.798	25,96%	-83,04%	317.123	60,84%
Other not specified receivables	153.427	74,04%	-24,85%	204.159	39,16%
<b>TOTAL</b>	<b>207.225</b>	<b>100,00%</b>	<b>-60,25%</b>	<b>521.282</b>	<b>100,00%</b>

#### 4.6. **CURRENT FINANCIAL ASSETS**

DESCRIPTION	December 31, 2006		Inc/Decr in % 06/05	December 31, 2005	
	HRK	% share		HRK	% share
Receivables for loans granted	64.231	0,90%	-	0	0,00%
Receivables for deposits given	7.000.000	98,15%	0,00%	7.000.000	100,00%
Receivables under credit cards	67.550	0,95%	-	0	0,00%
<b>TOTAL</b>	<b>7.131.781</b>	<b>100,00%</b>	<b>1,88%</b>	<b>7.000.000</b>	<b>100,00%</b>

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Receivables for the deposits given are stated in the balance sheet as at December 31, 2006 to the amount of 7.000.000 HRK and refer to the investment in the investment funds, RBAInvest to the amount of 5.000.000 HRK and a tied deposit with Erste bank d.d. to the amount of 2.000.000 HRK.

According to the statement received from RBAInvesta on December 29, 2006, the increase in the interests purchased was 32.724 HRK. Capitalization of the investment has not been stated in the Company's business records.

Tied deposit was agreed under the Tie Deposit Contract in HRK at an interest rate of 4.90% by May 22 2007.

Our suggestion to the Company is to make a realistic assessment of its liquid capital and the level of acceptable risk and to consider alternative ways of investment with higher yields.

**4.7. CASH**

DESCRIPTION	December 31, 2006		Inc/Decr in % 06/05	December 31, 2005	
	HRK	% share		HRK	% share
Direct transfer account	9.725.933	95,89%	54,02%	6.314.712	93,41%
Foreign currency account	379.928	3,75%	-11,85%	431.001	6,38%
Cash in hand (HRK)	37.337	0,37%	158,10%	14.466	0,21%
<b>TOTAL</b>	<b>10.143.198</b>	<b>100,00%</b>	<b>50,04%</b>	<b>6.760.179</b>	<b>100,00%</b>

**4.8. PREPAYMENTS AND ACCRUED INCOME**

Prepayments and accrued income are stated in the balance sheet as at December 31, 2006 to the amount of 301.864 HRK (December 31, 2005 - 81.908 HRK) and are presented as follows:

DESCRIPTION	December 31, 2006		Inc/Decr in % 06/05	December 31, 2005	
	HRK	% share		HRK	% share
Prepayments	301.864	100,00%	268,54%	81.908	100,00%
<b>TOTAL</b>	<b>301.864</b>	<b>100,00%</b>	<b>268,54%</b>	<b>81.908</b>	<b>100,00%</b>

**4.9. CAPITAL**

/i/ Subscribed capital is stated in the balance sheet as at December 31, 2006 to the amount of 18.000.000 HRK (December 31, 2005 - 18.000.000 HRK).

/ii/ Reserves stated in the balance sheet as at December 31, 2006 to the amount of 16.710.241 HRK (December 31, 2005 - 16.710.241 HRK) refer to:

- Capital gain to the amount of 5.768.063 HRK (December 31, 2005 - 5.768.063 HRK) was earned by selling own shares at a price higher than the cost when acquired (1997 and 1999) and reduction in nominal value of shares in 2000.
- Legal reserves to the amount of 900.000 HRK (December 31, 2005 - 900.000 HRK) are generated by earmarking of 5% of realized net profit of the accounting period to the level of 5% of the legal capital in line with the provisions of the Company Act.

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- Reserves for own shares to the amount of 1.358.478 HRK (December 31, 2005 - 1.358.478 HRK) were earmarked in line with the provisions of the Company Act to cover the value of own shares redemption.
- The shares redeemed to the amount of 530.129 HRK (December 31, 2005 - 530.129 HRK) refer to 1.518 own shares carried at the acquisition cost.
- Revaluation reserve to the amount of 411.774 HRK (December 31, 2005 - 411.774 HRK) generated by reconciliation of investments in financial assets available for sale.
- Other reserves stated to the amount of 8.802.055 HRK (December 31, 2005 - 8.802.055 HRK) refer to the reserves generated by translating the value of legal capital to kuna (HRK) until application of the Company Act and by revaluation of the assets in previous accounting periods.

/iii/ Retained earnings stated to the amount of 18.270.650 HRK (December 31, 2005 - 14.391.662 HRK).

/iv/ Current year profit is stated to the amount of 10.465.562 HRK (December 31, 2005 - 6.510.678 HRK) and it represents the difference between the income and expenses generated in 2006 according to available provisional data.

**4.10. LONG TERM PROVISIONS**

Long-term provisions are stated to the amount of 2.620.000 HRK (December 31, 2005 - 2.620.000 HRK) and they represent the amount provided for expected outflows due to lost court disputes. According to the letter received from the Lawyer's Office Bogdanović, Dolički and partners from Zagreb dated February 5, 2007, there are 53 suits initiated against the Company involving claims of approximately 23.054.158 HRK. According to the Company's records, altogether 65 legal suits are instituted against the Company.

**4.11. LONG-TERM LIABILITIES**

Long-term liabilities stated in the balance sheet as at December 31, 2006 to the amount of 5.760.463 HRK (December 31, 2005 - 16.908.092 HRK) are presented as follows:

	January 1, 2006	Increase	Decrease	December 31, 2006
DESCRIPTION	HRK	HRK	HRK	HRK
Raiffeisenbank Austria d.d. Zagreb	7.375.626	-28.953	-2.449.953	4.896.720
Raiffeisenbank Austria d.d. Zagreb	618.044	3.299	-621.343	0
HVB - Splitska banka d.d.	189.659	-760	-125.940	62.959
Erste & Steiermaerkische Bank d.d. Zagreb	1.876.266	-2.876	-1.072.606	800.784
Erste & Steiermaerkische Bank d.d. Zagreb	848.497	-8.125	-840.372	0
Adris grupa (TDR)	6.000.000		-6.000.000	0
<b>TOTAL</b>	<b>16.908.092</b>	<b>-37.415</b>	<b>-11.110.214</b>	<b>5.760.463</b>

According to statement received from Raiffeisenbank Austria d.d., the bank's receivables from the Company total 4.896.721 HRK i.e. Euro 666.667.

According to the statement received from Erste & Steiermaerkische Bank d.d., the bank's receivables from the Company total 806.771 HRK.

**4.12. LIABILITIES**

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DESCRIPTION	December 31, 2006		Inc/Decr in % 06/05	December 31, 2005.	
	HRK	% share		HRK	% share
Trade payables	7.227.310	23,53%	39,81%	5.169.550	37,43%
Payables under payments on account received	99.294	0,32%	27,67%	77.776	0,56%
Payables from joint transactions	0	0,00%	-100,00%	31.621	0,23%
Tax and contribution payables	16.785.590	54,65%	359,54%	3.652.722	26,45%
Payables to staff	2.579.942	8,40%	5,73%	2.440.189	17,67%
Other current payables	3.016.691	9,82%	217,71%	949.510	6,87%
Accruals and deferred income	1.003.969	3,27%	-32,62%	1.489.917	10,79%
<b>TOTAL</b>	<b>30.712.796</b>	<b>100,00%</b>	<b>122,37%</b>	<b>13.811.285</b>	<b>100,00%</b>

/i/ Trade payables are stated as follows:

DESCRIPTION	December 31, 2006		Inc/Decr in % 06/05	December 31, 2005	
	HRK	% share		HRK	% share
Trade payables – domestic	4.004.159	55,40%	12,27%	3.566.675	68,99%
Trade payables – abroad	3.219.068	44,54%	100,83%	1.602.875	31,01%
Payables under not invoiced merchandize	4.083	0,06%	-	0	0,00%
<b>TOTAL</b>	<b>7.227.310</b>	<b>100,00%</b>	<b>39,81%</b>	<b>5.169.550</b>	<b>100,00%</b>

/ii/ Payables for received payments on account are stated to the amount of 99.294 HRK (December 31, 2005 - 77.776 HRK).

/iii/ Payables for taxes and contributions are stated as follows:

DESCRIPTION	December 31, 2006		Inc/Decr in % 06/05	December 31, 2005	
	HRK	% share		HRK	% share
Payables under salary contributions	756.611	4,51%	3,69%	729.672	19,98%
Payables under taxes and other levies for salaries	624.509	3,72%	12,02%	557.501	15,26%
Income tax payables	0	0,00%	-100,00%	314.409	8,61%
VAT payables	15.391.424	91,69%	699,30%	1.925.610	52,72%
Other payables for taxes and contributions	13.046	0,08%	-89,61%	125.530	3,44%
<b>TOTAL</b>	<b>16.785.590</b>	<b>100,00%</b>	<b>359,54%</b>	<b>3.652.722</b>	<b>100,00%</b>

/iv/ Employee- related payables are stated as follows:

DESCRIPTION	December 31, 2006		Inc/Decr in % 06/05	December 31, 2005	
	HRK	% share		HRK	% share
Payables for net salaries and remunerations	2.565.869	99,45%	5,77%	2.425.854	99,41%
Other payable to employees	14.073	0,55%	-1,83%	14.335	0,59%
<b>TOTAL</b>	<b>2.579.942</b>	<b>100,00%</b>	<b>5,73%</b>	<b>2.440.189</b>	<b>100,00%</b>

/v/ Other current payables are stated as follows:

DESCRIPTION	December 31, 2006		Inc/Decr in % 06/05	December 31, 2005	
	HRK	% share		HRK	% share
Dividend payables	183.403	6,08%	5,32%	174.133	18,34%
Other not specified current payables	2.833.288	93,92%	265,41%	775.377	81,66%
<b>TOTAL</b>	<b>3.016.691</b>	<b>100,00%</b>	<b>217,71%</b>	<b>949.510</b>	<b>100,00%</b>

/vi/ Accruals and deferred income are stated as follows:

DESCRIPTION	December 31, 2006		Inc/Decr in % 06/05	December 31, 2005	
	HRK	% share		HRK	% share
Calculated not invoices costs	414.356	41,27%	-52,12%	865.367	58,08%
Income calculated and collected in advance	589.613	58,73%	-5,59%	624.550	41,92%
<b>TOTAL</b>	<b>1.003.969</b>	<b>100,00%</b>	<b>-32,62%</b>	<b>1.489.917</b>	<b>100,00%</b>

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**5. CONCLUSION**

1. The Company's information system operates as a series of not interconnected systems facilitating loading of groups of data to ORKA. The implemented system is not an integral system, it does not allow bidirectional communication and the use of database by the users in the way an integral system would allow it.

The quality of software is not uniform in all its segments. Some auxiliary modules operate as supporting tools for the employees facilitating some processes but not allowing a good quality analysis and saving for the Company.

The Company does not have instruction manuals for use of the information system thus not allowing identification of the system shortcomings or possible rules for using the system or its capabilities (item 1.3 of this Report)

2. Having analyzed the current system for identification of the quantity and quality of contributions to be made by each reporter every month, we found out that the quality (and the influence) of each contribution does not affect the standard set. The Company has not defined how to treat the failure to meet or exceed the standards set. The incentive payments in the employees' total salary are negligible and standardization of the work quality and quantity as well as the issue of exceeding or not meeting the standards is not defined precisely enough. The calculation of remunerations does not stimulate the work done (both in terms of its quality and quantity) (item 1.2 of this Report) thus not achieving maximum financial performance of the Company.
3. Based on the talks conducted and the analysis of the editorial office capacity, we found out that the editorial office had sufficient capacity for at least 10% increase in daily editions in terms of more pages and editing of new publications respectively. The analysis of the capacity engagement, we found out that the Printing Plant had idle periods with not job to do in the morning and in the afternoon hours when they could do other printing jobs such as printing other newspapers, magazines, advertising material and similar (item 1.2 of this Report). Adequate engagement of the Company's capacities would contribute to its better performance.
4. The analysis of employee age distribution and qualification structure showed that the Company had uniformly engaged new employees so both structures of employee are well balanced. However, to make a conclusion on the employment structure, one should have the data on the age and required profile within each organizational unit and particular working places, which is not the case with the Company (item 1.4 of this Report). The performance quality depends on the Company's possibility to provide a continuity of good employees on key working places.
5. Within the analysis of the most important customers, we discovered that as at December 31, 2006, the maturity of the Company's receivables from domestic buyers totaling 5.771.539 HRK were more than 120 days overdue. Having analyzed the receivables due and the receivables with disputed collection, we established that collection of some receivables overdue more than 120 days (to the amount of 4.454.833 HRK) is disputed or impossible (item 3.1 of this report) suggesting that the results stated were presented to the amount higher than the results calculated by a conservative approach.



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6. Having analyzed the revaluations of trade receivables from January 1, 1998 to December 31, 2005, our conclusion is that the revaluations are done when the receivables collection becomes almost not possible. Therefore, our opinion is that the cooperation should have been terminated and the measures of forced collection should have been applied when the buyer was still solvent. The performance (financial result) was constantly presented to the amount higher than the performance that should have been calculated if the Company had applied a conservative policy to receivables evaluation (item 3.1 of this Report).
7. The highest loss due to impossibility to recover the receivables is from the business relation with the company Feral Tribune d.o.o. Currently, the Company's receivables from that company still total 1.803.288 HRK (item 3.1 of this report).
8. The analysis of profitability of the contract signed with the company Metropolis d.o.o. Zagreb showed that the calculation of production cost for printing one copy based on the expenditures for a period from January 1 to October 30, 2006 was 0.55 HRK. By comparing the production cost and the selling price it can be concluded that the Company's loss per each printed copy, as a result of cooperation stipulated with Metropolis d.o.o. Zagreb, is 0.14 HRK at least (item 3.1 of this Report).
9. Since the Company assumed the responsibility to produce also a 4-page supplement with the articles and news from the area of the City of Rijeka and Primorsko-goranska County, our opinion is that the Company actually agreed to assign the very heart of its newspapers for 1000 HRK/edition and the competitive advantage over the newspapers of global character respectively. This act enabled more profitable performance to the only competitive newspapers as a substitute of daily newspapers because by taking over the articles and news from the Company, they do not have to pay high costs for their own editorial staff and reporter offices that would total 2000 HRK at least (item 3.1 of this Report).
10. Having analyzed the existing advertising contracts, we found out that the Company has not differentiated its failures well enough and granted the same discounts to all the agencies. The only departure was noticed with the company Nova TV d.d., which undertook to use at least 200.000 HRK of the value of the advertising space leased thus achieving almost 50% of discount. Our opinion is that because of practically monopolistic position of the Company in the local market, the price policy for advertising space should be differentiated according to the customers with different advertising budget taking into account the conditions contracted thus far (item 3.1 of this Report).
11. We have analyzed current prices of the products and discovered that the Company should intensify its work on reducing the returns and improve the efficiency (job improvement) of joint services. The efficiency of joint services should not be based on restricting the amount of each cost such as lower salaries in marketing or reducing the entertainment rights, but on reorganization of work involving new task assignment, working conditions, standardization of quantity and quality of work and incentive remuneration by a salary that would take into account business efficiency.
12. The reorganization which is the Company's imperative should also include a vision about the place of running its business, evaluation of profitability of outsourcing some jobs to external cooperation, and re-examination of the need to invest into property and new equipment, as well as the vision of future its development and growth. The Company should pay special attention to revival of the local market, starting new jobs and opening new geographical areas of



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- interest, expansion of the printing plant capacity and of the editorial office in terms of providing the conditions to implement the vision of growth and development (item 3.3 of the Report).
13. The Company should use its image of an independent newspaper for the regional growth and consider the possibility to achieve more successful growth and development by entering other media. The idea of getting into other media is particularly interesting because the Company runs its business on a similar market, it has a part of the resources that could be used for the work in other media and all they need for equipping is investing in technical facilities and some technical staff. Our opinion is also that starting such new jobs would be useful for development of ambitions of its own employees and better engagement of joint services (utilization of their actual capacity). The largest contribution would be to stimulation of imaginativeness and creativity of its own employees and thus easier evaluation of their quality (item 3.3 of this Report).
  14. As regards the analysis of justifiability of publishing the supplement to Novi list, we regard it unprofitable because it generated a loss of 1.166.390 HRK in the period surveyed. The loss represents 63.10% of the total income earned, which means that less than a half of expenses is covered by the income the Company earned by publishing the supplements. Over the period surveyed in 2006, 3.404.690 copies were printed. Their unit price of production was 0.79 HRK (2005 – 0.87 HRK) and the total price was 0.89 HRK (2005 – 0.89 HRK) (Item 3.3 of this Report).
  15. The profitability analysis of home delivery of newspapers revealed that if the total price of a printed copy of 5.58 HRK is added the cost of home delivery transport of 1.30 HRK, the total price of a printed copy does not exceed the selling price and under the current organization home delivery of newspapers does not generate losses. Since the total price of a printed copy already includes the cost of transport (uniformly distributed to all printed copies), we can conclude that the home delivery generates a loss of 0.88 HRK/copy at the most (item 3.5 of this Report.)
  16. Having analyzed the justifiability of the contract signed with the company Glas Istre, we discovered that on October 15, 2006, an annex to the basic contract was signed by which the prices agreed under the basic contract were lowered. This was done when the expansion of the reporter offices and increase in the newsprint took place. We regard the agreement of lowering the prices for printing and post-press processing at the moment when the production cost calculation is burdened by higher price of the newsprint is not good for the Company also because no new moments occurred by the time of stipulating new prices that would justify the price reduction (item 3.3 of this Report).
  17. Having analyzed the profitability of the contract signed with EDIT, we discovered that the selling price of 1 copy of La Voce del Popolo was determined in line with the Clause 17 of the Contract to the amount of the production cost. However, the selling price could not cover all the costs included in the total price of the copy or the expenses making the cost of production. We also draw attention to January 1, which is the date of expiry of the contract signed with EDIT (item 3.3 of this Report).
  18. The Company should focus on higher profitability of the printing plant in terms of finding new jobs to avoid idle times and by finding jobs that would use the facility more efficiently, by job improvement and possible increase in the capacity if there is a market interest for such a thing. In 2005, the printing plant ended the business year with a loss of 481.031 HRK, whereas in 2006 survey

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period the printing plant generated a loss of 52.738 HRK (item 3.3 of the Report).

19. The analysis of profitability of the publication Skandi showed that, in spite of the fact that the selling price is higher than the calculated production costs and total prices the negative result is the consequence of inefficient organization of sale and too large quantity of the returns. The loss ensues from the operating expenses (expenses of joint services) that burden the responsibility center. If the Company does not make an extra effort in increasing the sales of SUPER SK and SUPER F, there is a real danger that these two publications also start operating with negative result (item 3.3 of this Report).
20. We have analyzed the value of the services for regular maintenance and their justifiability and we found that there were no data on the company IMC d.o.o., who was in 2006 placed an order for the works totaling 912.525 HRK , showing who ordered the works, who executed the works, time of execution and the value of the works executed, and who confirmed the execution of the works. There is also no available documentation showing the names of persons who confirmed that the invoice was made in accordance with the contract. It is not possible to identify from the available documentation if the works executed were actually necessary and if they were necessary in that scope. We could not find the answer why and among which bidders the company IMC d.o.o. was selected as the most favorable supplier (contractor) because the documentation put at our disposal does not provide such information (item 3.5 of this Report).
21. Having analyzed the value of rendered services for regular maintenance and their justifiability, we discovered that there were no documents referring to the company Sagena d.o.o. who in the survey period in 2006 was placed an order for the works totaling 1.754,976 HRK from which we could see who ordered the works, who executed the works, time of execution and the value of the works executed, and who confirmed the execution of the works. There is also no available documentation showing the names of persons who confirmed that the invoice was made in accordance with the contract. It was not possible to identify from the available documentation if the works executed were really necessary and if they were necessary in that scope. We could not find the answer why and among which bidders the company Sagena d.o.o. was selected as the most favorable supplier (contractor) because the documentation put at our disposal does not provide such information. By alternative procedures we discovered that the Company was not invoiced actually supplied equipment, so we suggest the Company to review the executed works and its value (item 3.5 of this Report).
22. Having analyzed the value of the of rendered services for regular maintenance and their justifiability, we discovered that there were no documents for the company NetCom d.o.o. who was in 2006 placed an order for the works totaling 1.754.976 HRK from which we can see what works were ordered with the company NetCom d.o.o, who executed the works/service, and the time of execution although the contracts stipulate the works measured generally by engineer/day or programmer/day. The works executed were confirmed only by the Company's director although the works had been ordered by different organizational units. By alternative procedures, we discovered that some works had not been executed in anticipated way because the terms of reference were not clear enough about the works to be executed by NetCom d.o.o. We also established that the Company's employees executed some contracted works since they were not made familiar with the split up of the responsibilities between the Company's employees and the company NetCom d.o.o. who was obliged under the contract to perform the maintenance (monthly). Having

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examined the contracts signed with the company NetCom d.o.o. we also found out that the contract stipulated the maintenance works for which there was no proof of their execution although the maintenance works were invoiced and paid. We also find it unacceptable that the contracts signed with the company NetCom d.o.o. do not contain any protective clauses such as "payment conditional on execution of works", quality assurance of the works executed, guarantee period long enough, and which jobs will be done in the case of complaint and which will be treated as new services. The company NetCom d.o.o. was not asked to provide user's manuals, which would enable proper use of software (item 3.5 of this Report).

23. Because of a substantial increase in the maintenance services, we established that from 2003 to 2006 the maintenance services increased from 4.249.414 HRK to 5.643.542 HRK and that most of them were rendered by the companies with which it was not possible to see from the existing documentation if a service was done/supplied, if done at the Company's satisfaction, and if the value of the services was realistic.

A comparative review for the years 2004, 2005 and 2006 is stated as follows:

	2006	2005	2004	2003
DESCRIPTION	HRK	HRK	HRK	HRK
Laserfon d.o.o.	343.557	551.236	637.610	485.805
IMC d.o.o.	912.525	653.656	463.483	122.594
Alex Comp Dragan Aleksić	105.500	72.520	0	21.300
Sagena -Informatički Inženjering	600.164	149.721	26.293	5.736
Serving d.o.o.	0	51.420	28.276	0
Fototeh d.o.o.-ostalo	43.820	47.387	7.755	0
NetCom Rijeka	1.754.976	1.752.282	1.311.340	1.200.788
ProMar d.o.o. ostalo	19.549	19.549	0	14.839
Pro-Star d.o.o.	107.897	106.485	0	0
TISGRUPA Meeting of Minds	93.558	91.665	0	0
ORKA	130.888	111.213	142.145	107.311
Others	1.531.108	1.396.649	1.518.580	2.291.041
<b>Total</b>	<b>5.643.542</b>	<b>5.003.783</b>	<b>4.135.482</b>	<b>4.249.414</b>

24. Having analyzed the existing information system we found out that most of intangible assets stated in the balance sheet as at December 31, 2006 to the amount of 7.288.705 HRK include the software developed for the Company by the company NetCom d.o.o. Having examined the Company's records, we could not identify why the company NetCom d.o.o. of all other companies was selected for the supply of information system the more so the company NetCom d.o.o. developed its system in the Company itself. Beside, the Company has never become the software owner but the company NetCom d.o.o. Moreover, the Company undertook to use the program whose development was paid by the Company and undertook to pay also the fee for use of software (item 4.1 of this Report.).
25. Having analyzed the purchase of software for certain modules, we found out that the funds spent on development of the information system, which does not enable the Company the management reporting (accounting) and it is not linked to other operating segments, are so high that the company could have purchased an information system of much better quality that could be used for a longer period and enable cheaper updates if necessary. Our opinion is also that selection of the information company with relatively small number of employees whose job is software development and relatively small number of

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users does not guarantee the Company a continuity of operation of which is of exceptional importance for this kind of job (Item 4.1 of this Report).

26. Having analyzed the justifiability of the installation works on power distribution and fan convectors (air condition) executed by the company Serving d.o.o. Rijeka, we found out that the Company did not invite bids from other suppliers. By alternative procedures we found out the equipment purchased from the suppliers mentioned was not price-wise the most favorable one.

Therefore, our opinion is that the Company should have looked for other favorable suppliers before awarding the job to the selected ones (item 4.1 of this Report).

27. The Company purchased a telephone exchange from the company Sagena d.o.o. that was still not in service when the Report was made. Since the value of the equipment purchased depends on the delivery and installation time and the saving from its use, our opinion is that the Company should pay special attention to the time schedule of some projects because the implementation time is also one of the factors for determination of the purchase price (item 4.1 of this Report).

28. Having examined the business records we found out that during the survey period in 2006, the Company successively purchased a large quantity of copy machines from the company Fototeh d.o.o. for which they acquired the right to different discounts. We draw attention to the fact that the Company should make a plan of yearly needs for particular equipment, select the most favorable ones and sign a contract to assure better or equal purchasing conditions (item 4.1 of this Report).